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SENSITIVE
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TAGS: [ENRG](#) [EPET](#) [PGOV](#) [ELAB](#) [WHO](#)
SUBJECT: RIO RADAR - FEBRUARY 1, 2010

¶1. (U) Rio Radar is a regular compilation of key economic, political, commercial, and other developments in the states of Rio de Janeiro, Bahia, Minas Gerais, Espirito Santo, and Sergipe. This week's subjects:

LULA, PETROBRAS, AND GENERAL ELECTRIC OPEN FIRST ETHANOL POWER PLANT

¶2. (U) On January 19, Petrobras and General Electric (GE) inaugurated the first ethanol-fired gas turbine system in the world to provide electricity for commercial use. The event took place at the Juiz de Fora power plant in Minas Gerais and was attended by President Lula, Chief of Staff and Worker's Party (PT) presidential candidate Dilma Rousseff, Mines and Energy Minister Edison Lobao, and Science and Technology Minister Sergio Rezende. First sold as natural gas turbines to Petrobras three years ago, GE and Petrobras engineers subsequently worked to convert one of the turbines to enable both sugarcane ethanol and natural gas-derived power generation. GE's Government Affairs Manager Adriana Machado told Rio Commercial Officer, who also attended the event, that GE and Petrobras will partner to market this technology in third countries. She said the Japanese had already expressed significant interest in the dual-fuel turbines, which Petrobras purchased from GE for 36 million USD.

¶3. (U) In his remarks, President Lula said this plant would force other countries to reexamine the relevance of sugarcane-based ethanol to industrial power generation, stating the technology was part of a cost effective solution to combating global climate change. Dilma Rousseff emphasized the importance of Brazilian excellence in education, especially in engineering and science, that led to this development, and criticized the United States for its dependence on carbon-based fuels for power generation. Rousseff's remarks were warmly received with applause, but many in the crowd booed Minas Gerais Governor and possible PSDB vice presidential candidate Aécio Neves, when President Lula mentioned his name. Neves did not attend the event (Comment: The Juiz de Fora ceremony was one of four events in Minas attended by Lula and Rousseff on January 19, and was seen by many as electoral campaigning. Neves did not attend for that reason, and many in the crowd were likely PT activists, transported to the event. End Comment).

NEW PETROCHEMICAL GIANT GIVES BRAZILIAN GOVERNMENT MORE CONTROL

¶4. (U) An 870 million Brazilian Real (467 million USD) investment

agreement, signed on January 22 between parastatal Petrobras and petrochemical firms Odebrecht, Braskem, and Quattor, created "Nova Braskem," which will be the largest petrochemical company in Brazil. "Nova Braskem", whose annual revenue is expected to reach 19.8 billion BR (10.6 billion USD), will become Latin America's largest producer of thermoplastic resin (a key material for consumer products ranging from kitchen utensils to automotive parts), and the world's 11th largest producer of ethylene. Analysts expect the company to control 80 percent of the domestic market for petrochemicals. Petrobras President Jose Sergio Gabrielli stated the deal supports the goal of Petrobras to become one of the world's five largest petrochemical producers, in addition to its oil and gas operations. Given Petrobras' 46.2 percent share in the new company, the deal will therefore also give the Brazilian Government more control over the sector. While some analysts have criticized the deal as effectively creating a monopoly over Brazilian petrochemicals, a former Odebrecht director told us that such consolidations are a natural result of increasing competitiveness in the industry.

LABOR MINISTRY SAYS RIO STATE HAS MOST CASES OF SLAVE LABOR IN BRAZIL

15. (U) The Brazilian Government reported that the state of Rio de Janeiro led the country in the most number of laborers working under slavery-like conditions in 2009, based on the number of such

workers rescued by authorities. According to the Ministry of Labor, authorities rescued 521 workers from slavery-like conditions, 14.5 percent of the country's total of 3,571. This number is 11 times greater than the 46 workers rescued in Rio state in 2008. In all cases registered in Rio, violations involved the cultivation of sugarcane, the primary input for Brazilian sugar and ethanol. Authorities suggest the increase in cases in Rio is due to improvements in monitoring and enforcement, as well as a broadening of existing legislation that included "exhaustive work days" and "high intensity of labor" under the definition of slavery-like conditions. Adonio Prado of the Research Group on Slave Labor (GPTEC) told us the primary causes for slavery-like conditions in sugarcane plantations in Rio state is the method of remuneration for workers. Prado said the strictly production-based system forces workers into exhaustion, and recommended plantations adopt a fixed hourly or monthly wage in order to improve workers' conditions.

16. (SBU) While the number of cases in Rio increased, as well as overall figures for the Southeast, the total figure across Brazil fell from 5,016 workers rescued in 2008 to 3,571 in 2009. In the Northeast, which registered 1,498 cases in 2008, the figure dropped to 875. Authorities believe reduced demand due to the global recession led to the decrease, but express concern that numbers will increase as the Brazilian economy again gains momentum (Embassy comment: The principal reason for the drop in the Northeast and rise in Rio and the Southeast is due to the Ministry of Labor's having shifted its inspection resources from one region to another in 2009, rather than a dramatic drop in slave-like conditions in either region. End Embassy comment). According to the Federal Prosecutor's Office, officials will focus monitoring efforts on workplaces that involve production of coal and wood, as well as the cultivation of sugarcane and yerba mate tea leaves.

DENGUE FEVER RISK REMAINS HIGH, BUT CHANCES OF OUTBREAK REDUCED

17. (U) Researchers reported that almost 3 percent of Rio de Janeiro's population is suffering from dengue fever this season, above the 1 percent threshold designated "tolerable" by the World Health Organization. According to entomologist Rafael Freitas, the actual number of residents with dengue fever is lower than

expected, however, given the risk factors in Rio, such as a large concentration of the mosquito that carries the strain. He stated high incidences of exposure in previous years have resulted in high rates of immunity among Rio's population. Dr. Paulo Cesar Guimaraes, a specialist in infectious disease from the Brazilian Society of Pediatrics, told us the greatest risk period for a dengue fever outbreak has already passed and will continue to decrease each day until the end of the Brazilian summer, in mid-March.

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